

Message Text

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ORIGIN EUR-12

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FM SECSTATE WASHDC
TO AMEMBASSY PRAGUE IMMEDIATE
INFO USDEL SECRETARY IMMEDIATE

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FOR ASSISTANT SECRETARY HARTMAN

E.O. 11652: N/A

TAGS: PFOR, EFIN, CZ

SUBJECT: LONG LETTER ON CLAIMS/GOLD

1. IN VIEW OF PLANNED BUDAPEST MEETING BETWEEN ASSISTANT SECRETARY HARTMAN AND AMBASSADOR BYRNE, YOU SHOULD BE AWARE OF MARCH 22 LETTER TO SECRETARY VANCE FROM SENATOR LONG, WHICH CAME TO EUR'S ATTENTION ON MARCH 31. FOLLOWING IS TEXT OF LETTER:

QUOTE DEAR MR. SECRETARY: I AM WRITING IN REFERENCE TO SECTION 408 OF THE TRADE ACT OF 1974 (PUBLIC LAW 93-618). AS YOU MAY BE AWARE, THIS PROVISION OF LAW REQUIRES THAT THE ARRANGEMENT INITIALED ON JULY 5, 1974, WITH RESPECT
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TO THE SETTLEMENT OF CLAIMS OF CITIZENS AND NATIONALS OF THE UNITED STATES AGAINST THE GOVERNMENT OF CZECHOSLOVAKIA SHALL BE RENEGOTIATED AND SUBMITTED TO THE CONGRESS AS PART OF ANY AGREEMENT EXTENDING MOST-FAVORED-NATION (MFN) TREATMENT TO THAT COUNTRY. IN ADDITION, THIS PROVISION REQUIRES THAT THE UNITED STATES SHALL NOT RELEASE ANY GOLD BELONGING TO CZECHOSLOVAKIA AND CONTROLLED DIRECTLY OR

INDIRECTLY BY THE UNITED STATES PURSUANT TO THE PROVISIONS OF THE PARIS REPARATIONS AGREEMENT OF JANUARY 24, 1946, UNTIL SUCH AGREEMENT HAS BEEN APPROVED BY THE CONGRESS.

BY ITS EXPLICIT TERMS, SECTION 408 REQUIRES THAT THE AGREEMENT BE RENEGOTIATED AND SUBMITTED TO THE CONGRESS ALONG WITH ANY AGREEMENT EXTENDING MOST-FAVORED-NATION TREATMENT. IN ADDITION, IT SHOULD BE NOTED THAT THE OTHER CONSTRAINTS IMPOSED UPON ANY EXTENSION OF MFN TREATMENT, INCLUDING THE REQUIREMENT OF FREEDOM OF EMIGRATION, WOULD CONTINUE TO APPLY TO CZECHOSLOVAKIA. THEREFORE, THERE CAN BE NO ASSURANCE, EVEN AFTER A SATISFACTORY SETTLEMENT OF THESE CLAIMS IS REACHED, THAT THE CONGRESS WILL APPROVE MFN.

RECENTLY I WAS VISITED IN MY OFFICE BY MESSRS. DAVID D. SCOTT, CHIEF EXECUTIVE OFFICER OF THE ALLIS CHALMERS CORPORATION AND OUTGOING CHAIRMAN OF THE CZECHOSLOVAK-U.S. ECONOMIC COUNCIL AND MR. PAUL LYET, CHIEF EXECUTIVE OFFICER OF SPERRY RAND CORPORATION AND INCOMING CHAIRMAN OF THE CZECHOSLOVAK-U.S. ECONOMIC COUNCIL, AS WELL AS OTHER OFFICIALS OF THE COUNCIL. MR. SCOTT REPORTED TO ME ON EXTENSIVE CONVERSATIONS HE HAS HAD IN RECENT MONTHS WITH OTHER OFFICIALS OF THE CZECHOSLOVAKIAN GOVERNMENT, BOTH IN PRAGUE AS WELL AS IN THE UNITED STATES WITH RESPECT TO HIS EFFORTS TO RENEGOTIATE THE SETTLEMENT OF OUTSTANDING CLAIMS AGAINST THE CZECH GOVERNMENT. MR. SCOTT REPORTED THAT HIS EFFORTS HAD FAILED, AND THAT THE OFFICIALS OF THE CZECHOSLOVAKIAN GOVERNMENT WERE UNWILLING TO INCREASE LIMITED OFFICIAL USE

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THEIR OFFER TO SETTLE THESE CLAIMS BEYOND THE AMOUNT CONTEMPLATED IN THE FIRST SETTLEMENT NEGOTIATION OF JULY, 1974, TO WIT: \$4 MILLION, INITIALLY, AND \$16.5 MILLION IN 12 SUBSEQUENT ANNUAL INSTALLMENTS. MR. SCOTT STATES THAT IN HIS OPINION THE GOVERNMENT OF CZECHOSLOVAKIA WAS INTRANSIGENT ON THIS MATTER AND UNWILLING TO REACH A SATISFACTORY SETTLEMENT OF CLAIMS OF U.S. CITIZENS AND NATIONS AGAINST THAT GOVERNMENT.

THE TOTAL IRRITATION WHICH I AND MOST OTHER MEMBERS OF THE SENATE COMMITTEE ON FINANCE FEEL TOWARD THIS MATTER IS BASED ON THE FIGURES DISPLAYED IN THE ATTACHED FACT SHEET. THEY DESCRIBE A TOTALLY UNREASONABLE POSTURE ON THE PART OF THE CZECHS IN REFUSING TO NEGOTIATE BEYOND A FIGURE OF ABOUT \$20 MILLION ON A LEGALLY-ADJUDICATED DEBT OF ALMOST \$200 MILLION. IN VIEW OF THEIR INTRANSIGENT ATTITUDE, MY PERSONAL VIEW IS NOW THAT A SETTLEMENT OF TWICE \$20 MILLION WOULD STILL NOT BE HALF ENOUGH.

UNDER THE CIRCUMSTANCES, I HAVE CONCLUDED THAT THE PROPER COURSE FOR THE UNITED STATES GOVERNMENT IS TO SATISFY THE OUTSTANDING CLAIMS OF U.S. CITIZENS OUT OF THE GOLD PRESENTLY CONTROLLED DIRECTLY OR INDIRECTLY BY THE UNITED

STATES PURSUANT TO THE PROVISION OF THE PARIS REPARATIONS AGREEMENTS OF JANUARY 24, 1946. BASED ON THE LONDON MARKET QUOTATION OF \$145.90 PER OUNCE ON MARCH 9, THE GOLD IS WORTH \$94,750,000. THIS AMOUNTS TO ABOUT ONE-HALF THE AMOUNT OF \$194,610,000 IN PRINCIPAL AND INTEREST DUE U.S. CLAIMANTS AS OF MARCH, 1977.

WITH THE VIEW OF BRINGING THIS MOST TROUBLESOME AND FRUSTRATING EPISODE TO AN EARLY CONCLUSION, I WOULD VERY MUCH APPRECIATE AN OPPORTUNITY TO MEET WITH YOU AND UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS RICHARD N. COOPER AT AN EARLY DATE TO DISCUSS THIS MATTER. SINCERELY YOURS,
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RUSSELL B. LONG. END QUOTE.

2. COPY OF LONG LETTER AND ATTACHED FACT SHEET ARE BEING POUCHED TO EMBASSY PRAGUE.FYI. WE PLAN TO RECOMMEND AN INTERIM REPLY TO SENATOR LONG, POINTING OUT THAT THE ADMINISTRATION IS PRESENTLY REVIEWING OUR OVERALL EASTERN EUROPEAN POLICY, OF WHICH THE CLAIMS/GOLD PROBLEM IS A PART, AND PROMISING HIM A FULL REPLY ON THE ISSUE AS SOON AS POSSIBLE. END FYI.

CHRISTOPHER

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